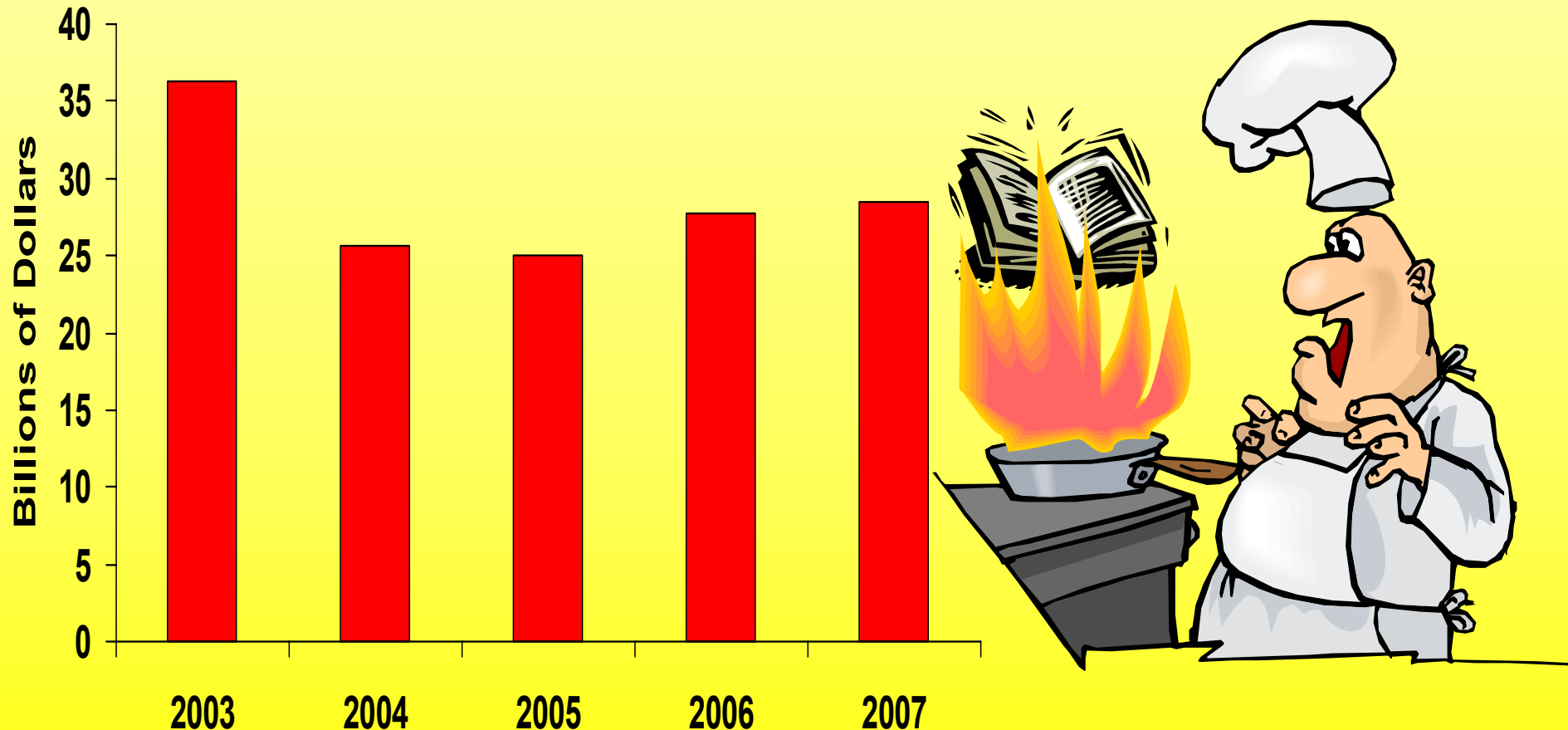


The Republican FY 2003 Budget

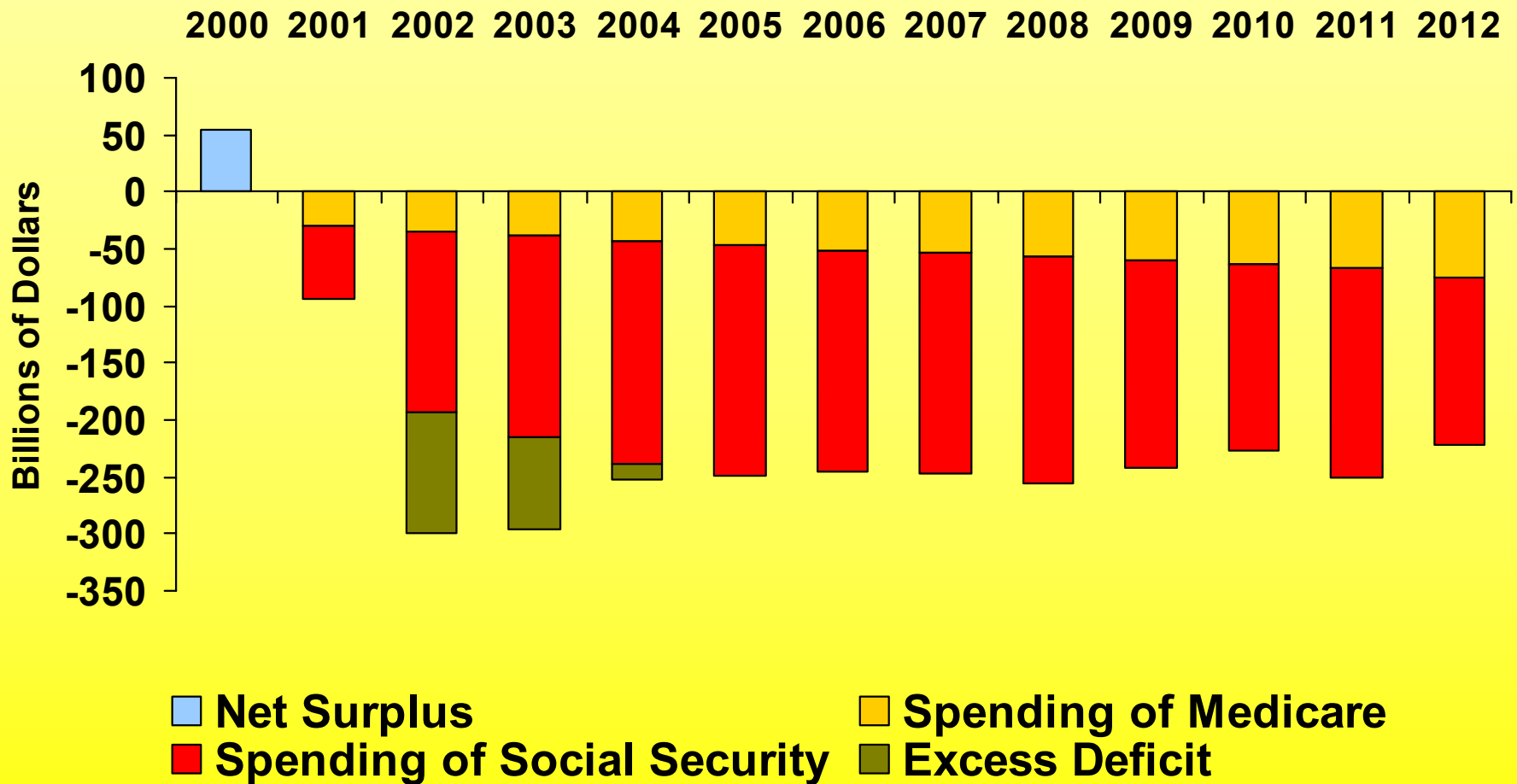
**House Budget Committee
Democratic Staff
March 2002**

Republicans Cook the Books

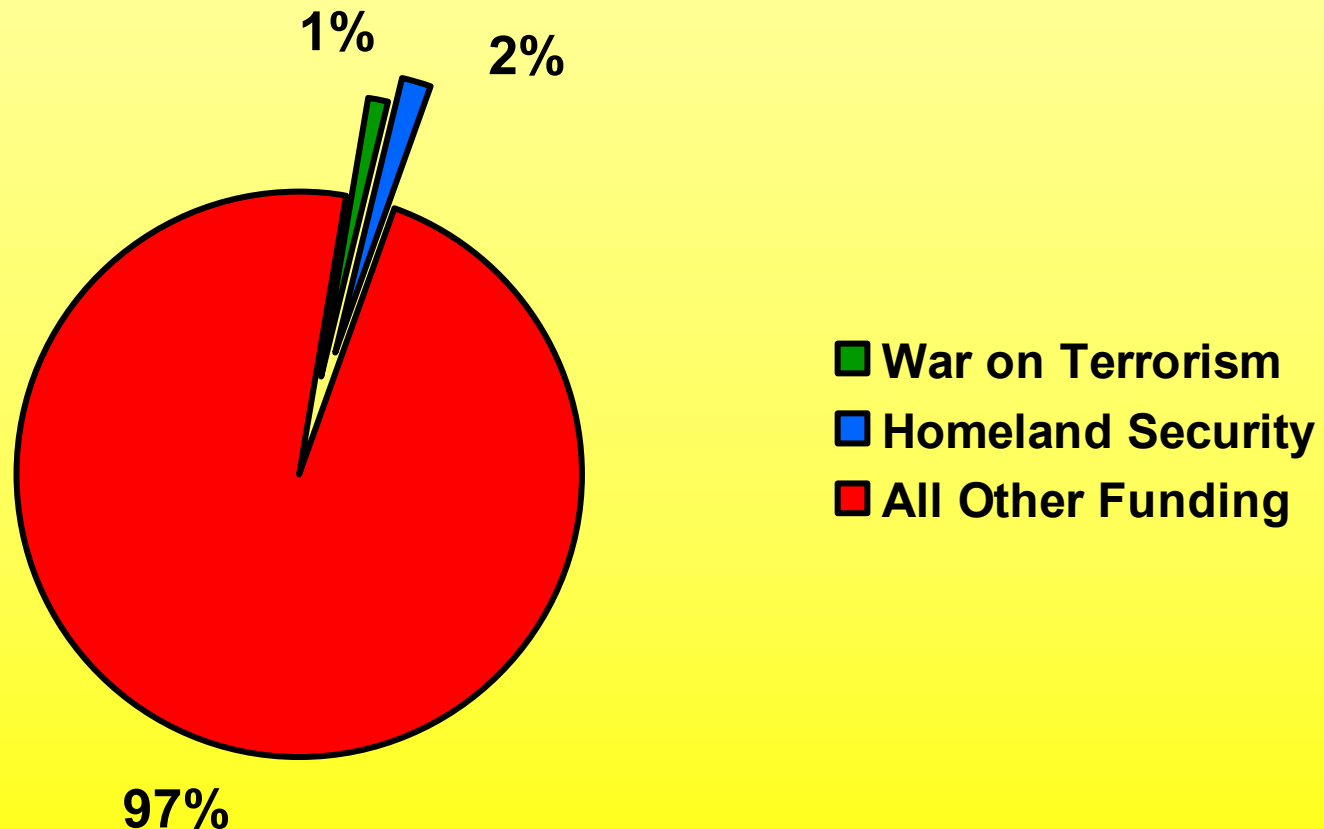
Effect on the Deficit of Using OMB Instead of CBO



President's Budget Spends Social Security and Medicare



Homeland Security and War on Terrorism As a Percentage of House Republican Budget



From Fiscal Improvement to Fiscal Reversal

Fiscal Year	Surplus/Deficit
1992	-\$290.4
1993	-\$255.1
1994	-\$203.3
1995	-\$164.0
1996	-\$107.5
1997	-\$ 22.0
1998	+\$ 69.2
1999	+\$125.5
2000	+\$236.4
2001	+\$127.1
2002	-\$ 46.0

Omissions and Gimmicks in President's Budget Consume the Entire Social Security Surplus

Fiscal Years 2003 - 2012, Billions of Dollars

Social Security Surplus Remaining After President's Budget Policies (OMB Estimates)	1,097
--	--------------

Less:

Difference with CBO Baseline, Medicare	226
Difference with CBO Baseline, Other On-Budget	92
Making Permanent All Provisions of Last Year's Tax Cut	250
Making Permanent All Other Expiring Tax Provisions	200
Comprehensive Reform of the Individual AMT	450
Relief for Medicare Providers from BBA Cuts	80
Realistic Appropriations	<u>300</u>

Equals:

Social Security Surplus (+) or Deficit (-) Remaining	-501
---	-------------

“Off-the-Books” Accounting in the Republican Budget

- Ten-Year Policies Without Ten-Year Numbers
- Optimistic OMB Baseline Instead of Non-Partisan CBO Baseline
- No Acknowledgement of Impending Defense and Security Supplemental
- Borrowing from Federal Employees Retirement Trust Fund and Changing the Definition of Debt to Avoid Embarrassing Need to Increase the Debt Limit

Republicans' Former Dedication to CBO Estimates

[CBO] is not a partisan office. It is not even a bipartisan office. It is a nonpartisan office. We on our side have had tremendous disagreements with those numbers, but why would we want those numbers to be used instead of the office of Management and Budget? The Office of Management and Budget's are partisan numbers done by the President's political appointee... We just want it to be real.

Representative Chris Shays, November 18, 1995

Congressional Record H15077

Republicans' Former Dedication to CBO Estimates

Let us be very clear, the language tonight says nothing about taxes. It says nothing about defense. It says nothing about education or environment. All it says, all it says is the President of the United States, in return for us giving him billions of dollars to spend, should commit to a 7-year balanced budget, scored honestly, by the Congressional Budget Office.

Former Speaker Newt Gingrich, November 15, 1995

Congressional Record H12502

Republicans' Former Dedication to CBO Estimates

The language that will be in law when the President signs [the Continuing Resolution] is the 104th Congress is to achieve a balanced budget not later than fiscal year 2002 as estimated by the Congressional Budget Office. Very real. Very meaningful.

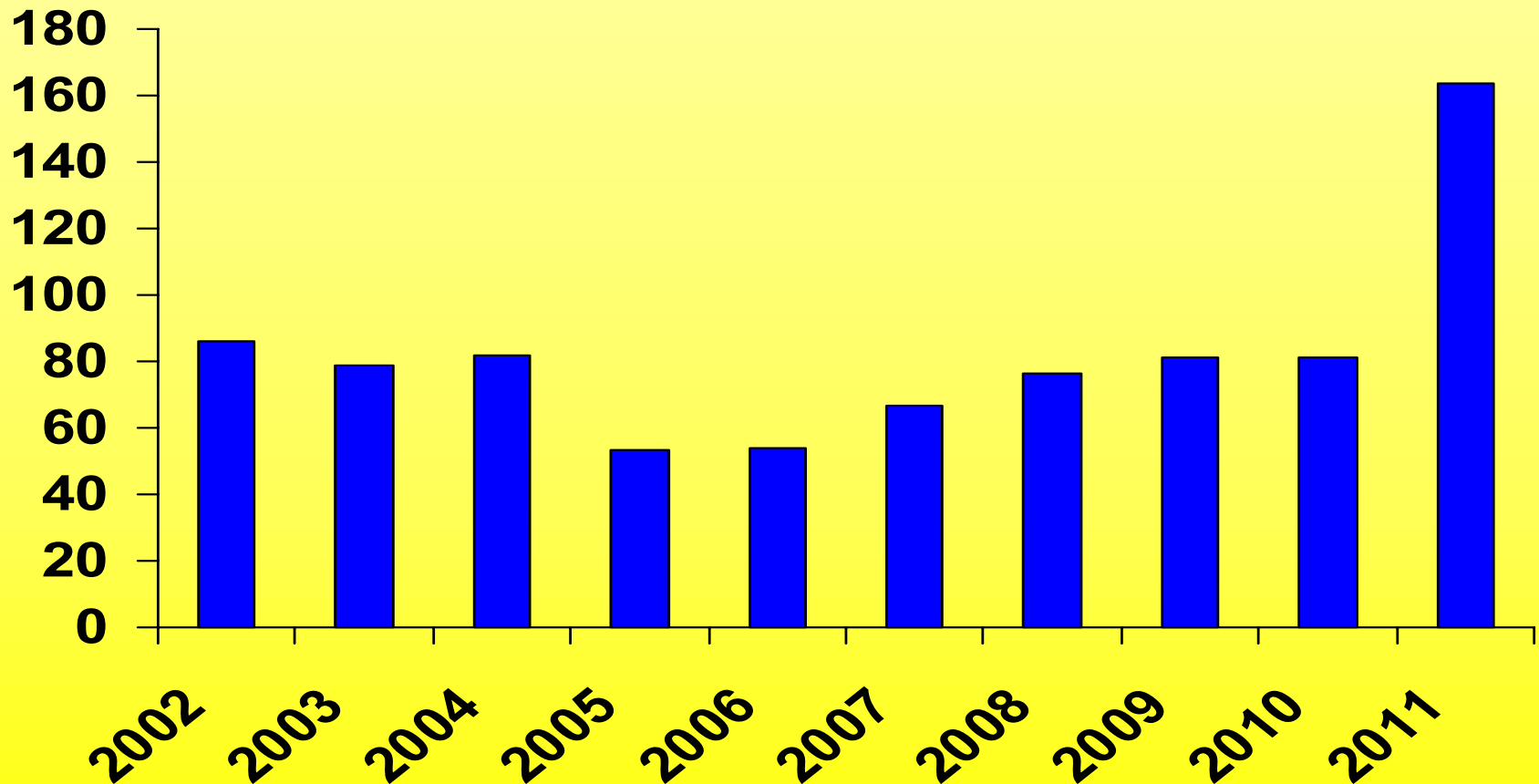
Representative Tom DeLay, November 20, 1995

Congressional Record H13371

Comparing Democrats' FY '02 Budget With the FY '03 Bush Budget

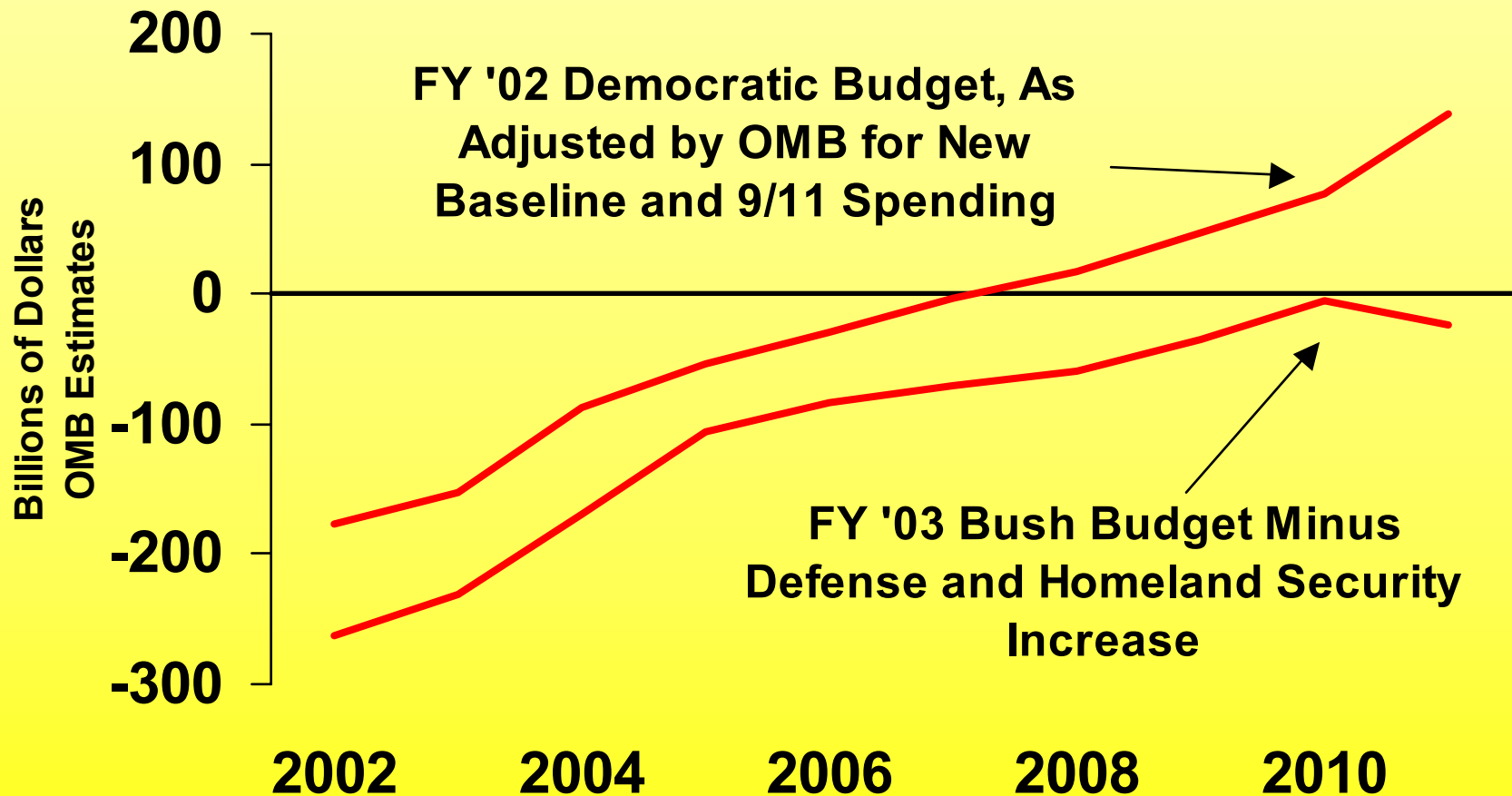
Debt Reduction in FY '02 Democratic Budget

As Adjusted by OMB for New Baseline and 9/11 Spending Minus
FY '03 Bush Budget Excluding Defense and Homeland Security Increase



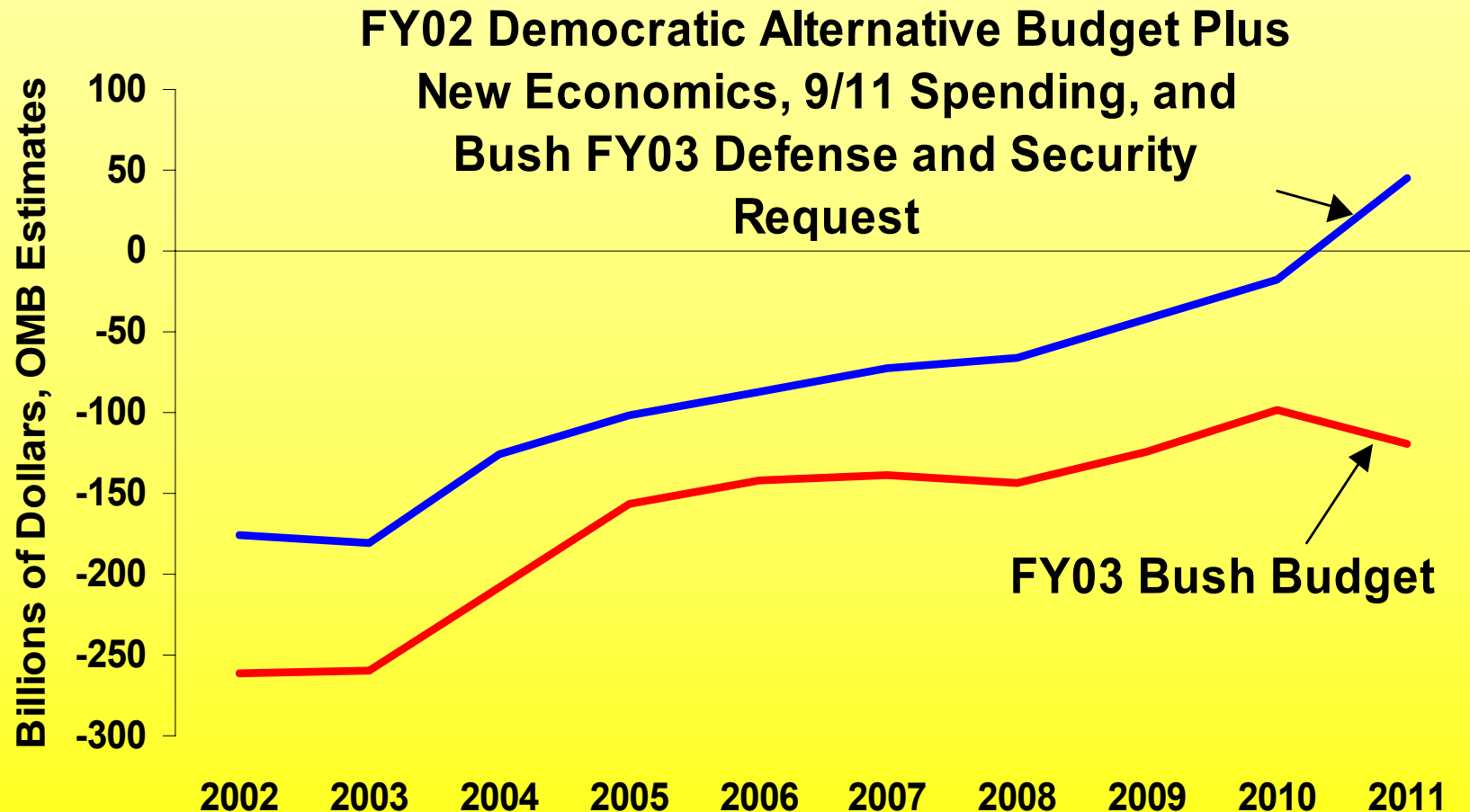
Comparing Democrats' FY '02 Budget With the FY '03 Bush Budget

Non-Social Security Surplus (+) or Deficit (-)

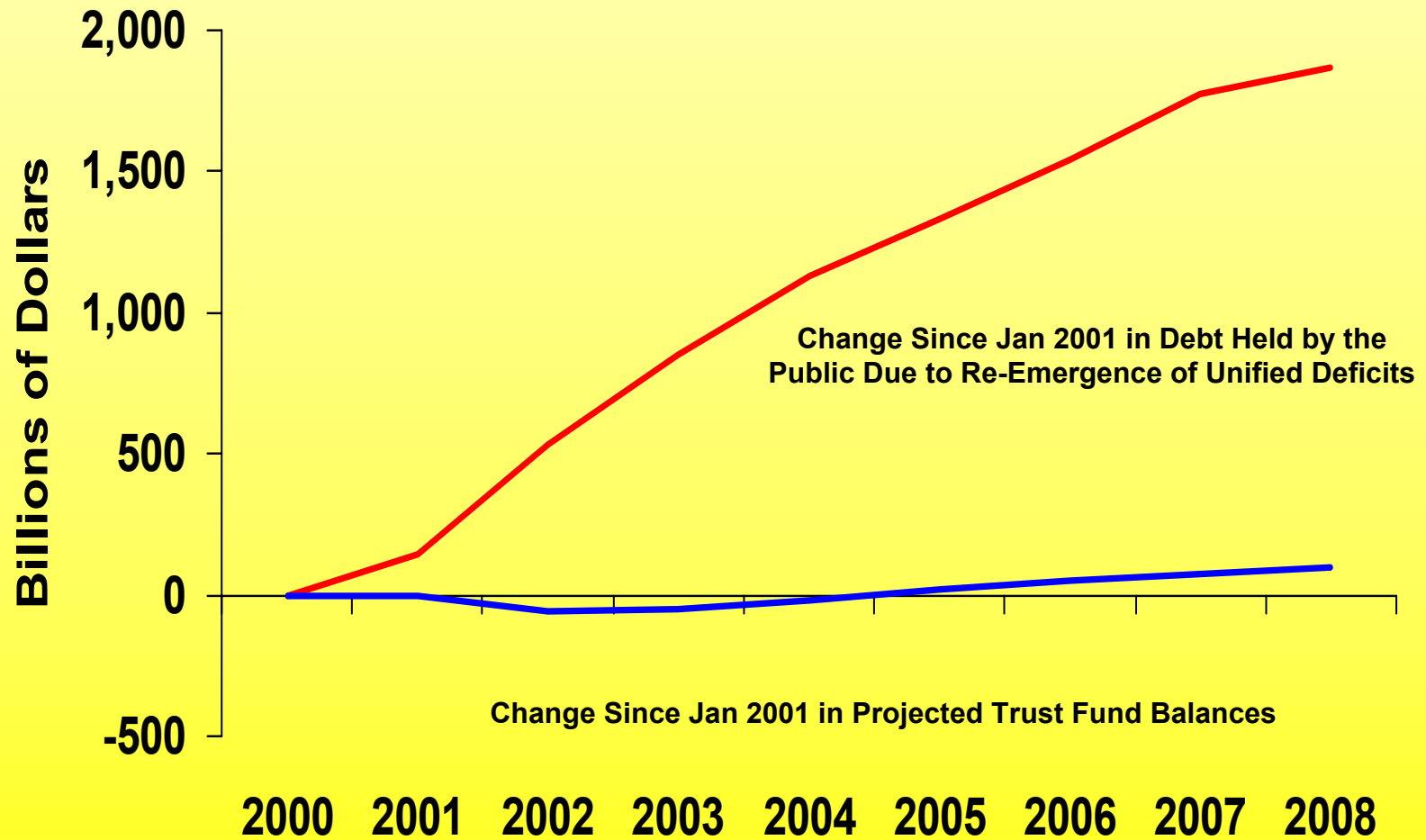


Comparing Democrats' FY '02 Budget With the FY '03 Bush Budget

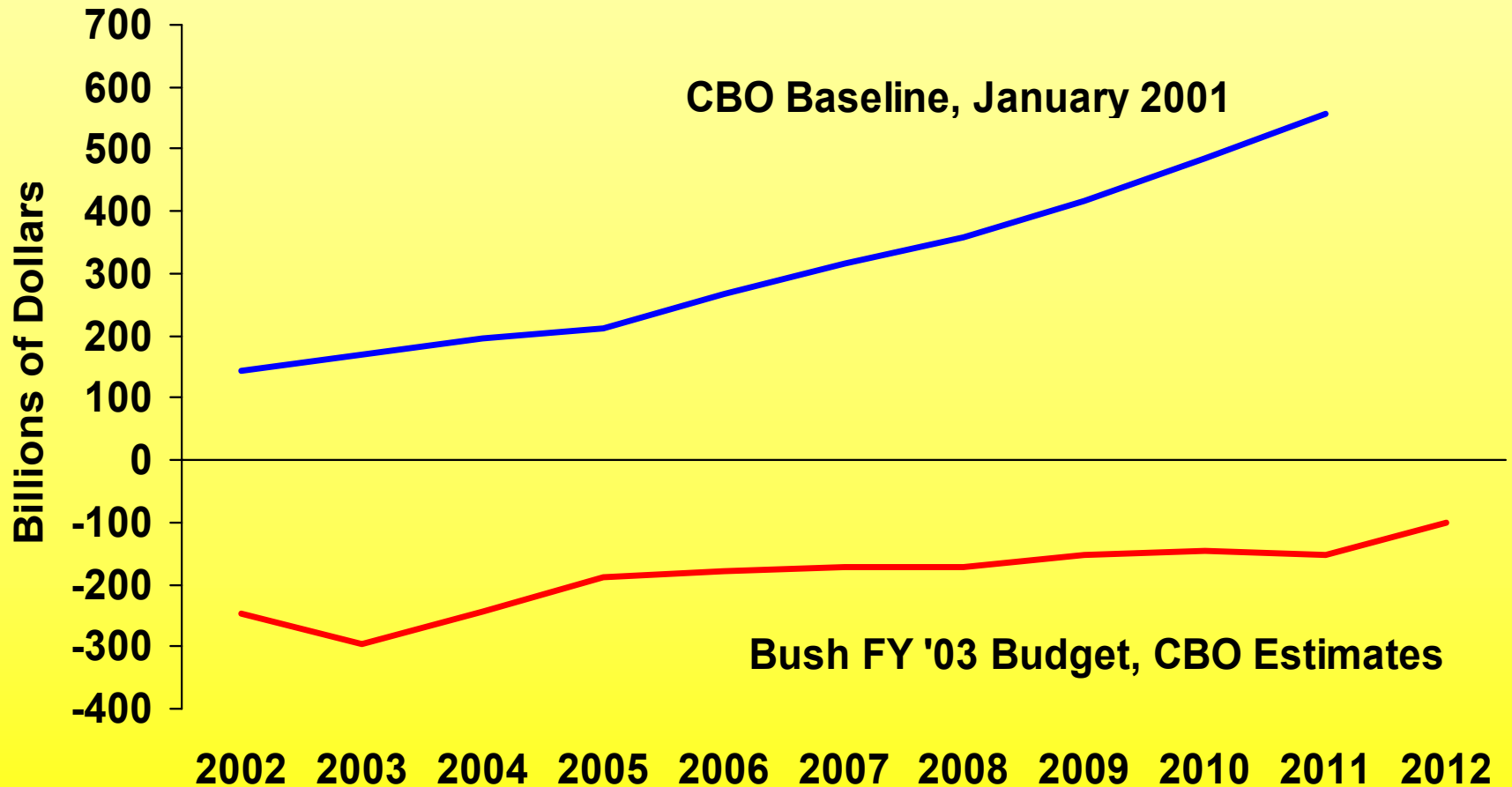
Non-Social Security Surplus (+) or Deficit (-)



Why Do We Have to Raise the Debt Limit Now Instead of 2008?



Non-Social Security Surplus



“We must understand that it is inviolate to intrude against either Social Security or Medicare and if that means forgoing or, as it were, paying for tax cuts, then we’ll do that.”

House Majority Leader Richard Armey
BNA’s *Daily Tax Report*, July 11, 2001

“None of the Social Security trust funds and Medicare trust funds will be used to fund other spending initiatives or tax relief.”

A Blueprint for New Beginnings: A Responsible Budget for America's Priorities

**Office of Management and Budget, February 28, 2001,
Page 11**

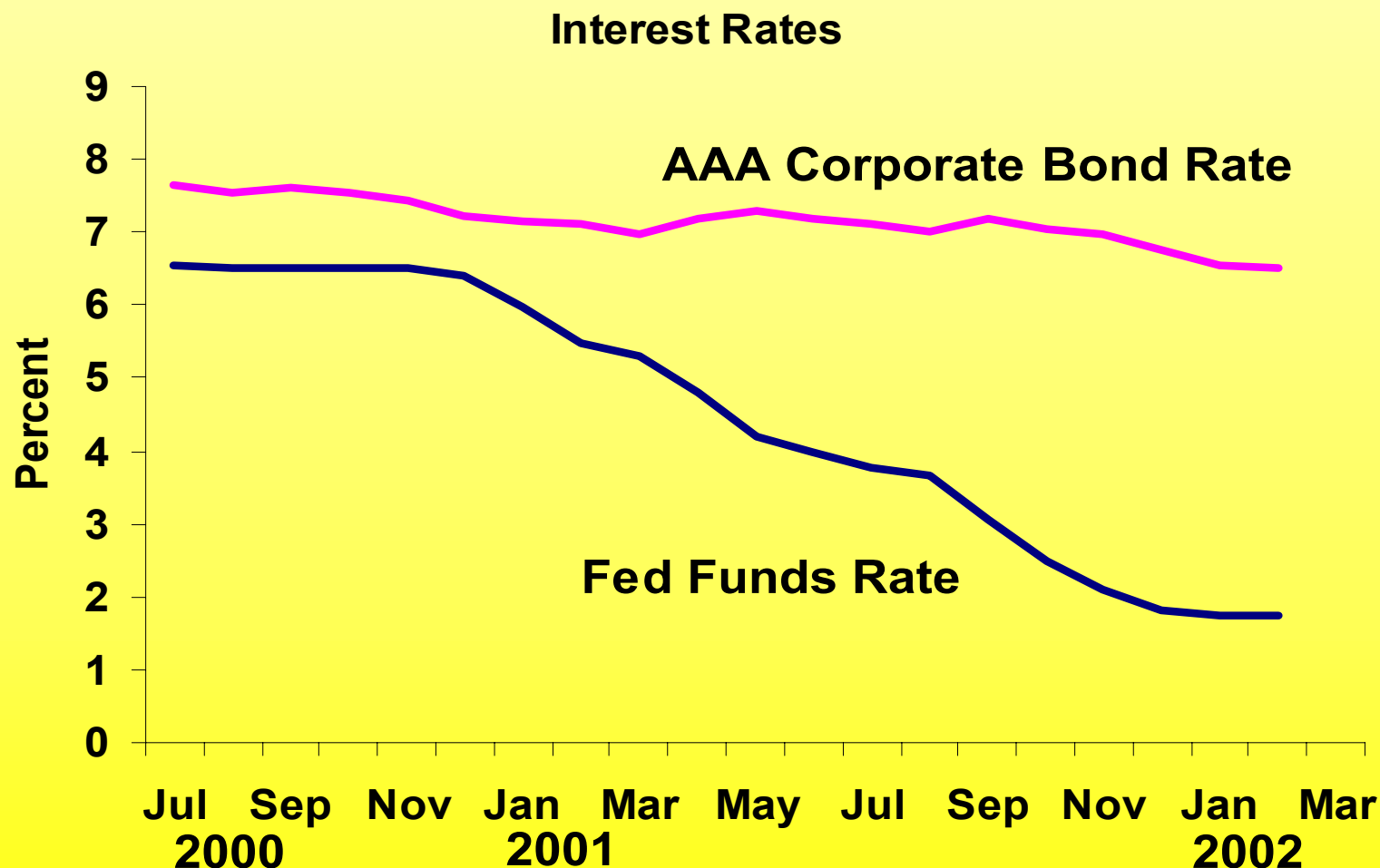
“We are going to wall off Social Security trust funds and Medicare trust funds . . . And consequently, we pay down the public debt when we do that. So we are going to continue to do that. That’s in the parameters of our budget and we are not going to dip into that at all.”

House Speaker Dennis Hastert, quoted
in BNA’s *Daily Tax Report*, March 2, 2001

“To make sure the retirement savings of America’s seniors are not diverted into any other program, my budget protects all \$2.6 trillion of the Social Security surplus for Social Security and for Social Security alone.”

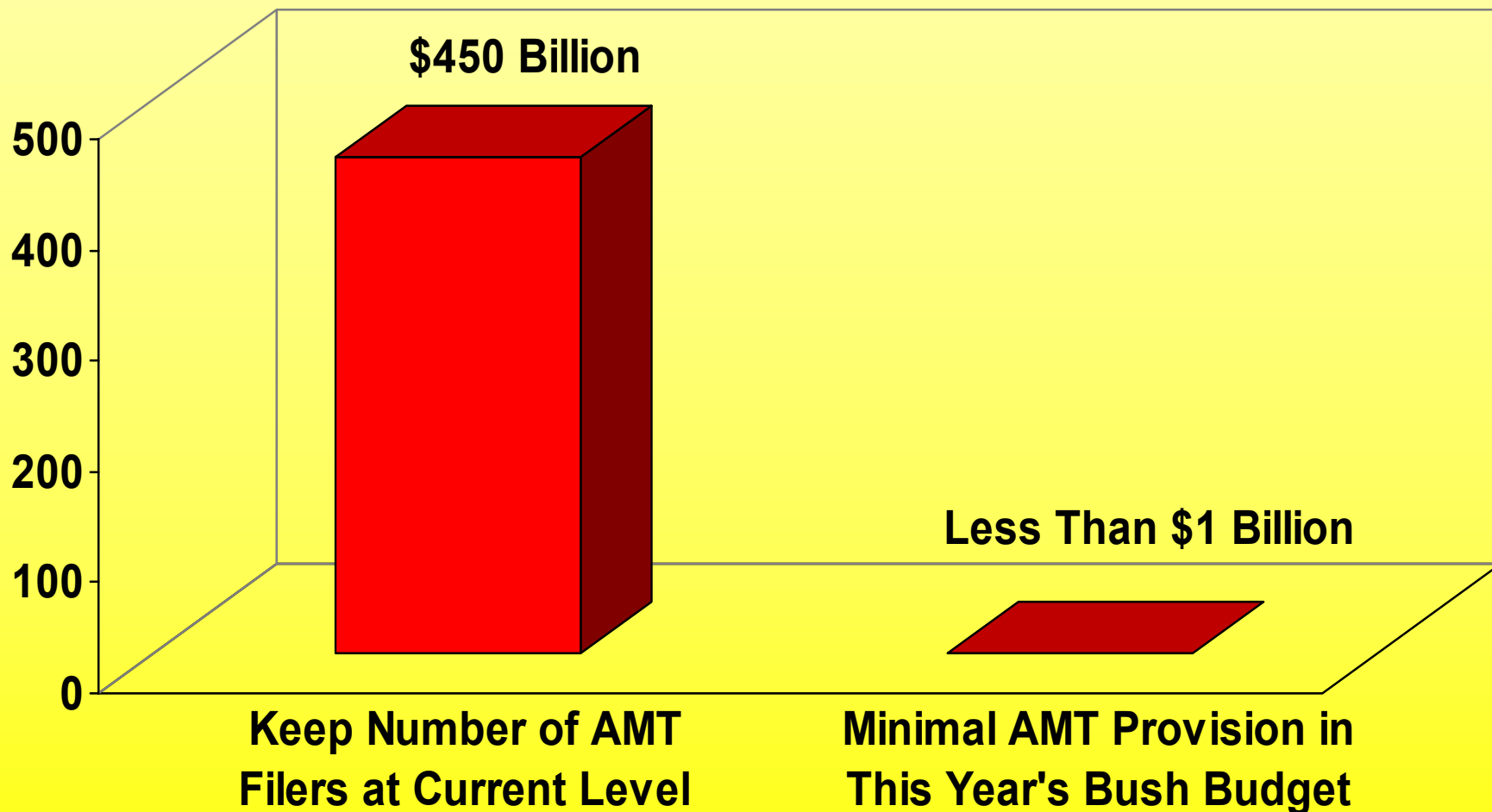
President Bush, Address to Joint Session of Congress, February 27, 2001

Long-Term Interest Rates Have Not Declined



Fixing the Alternative Minimum Tax

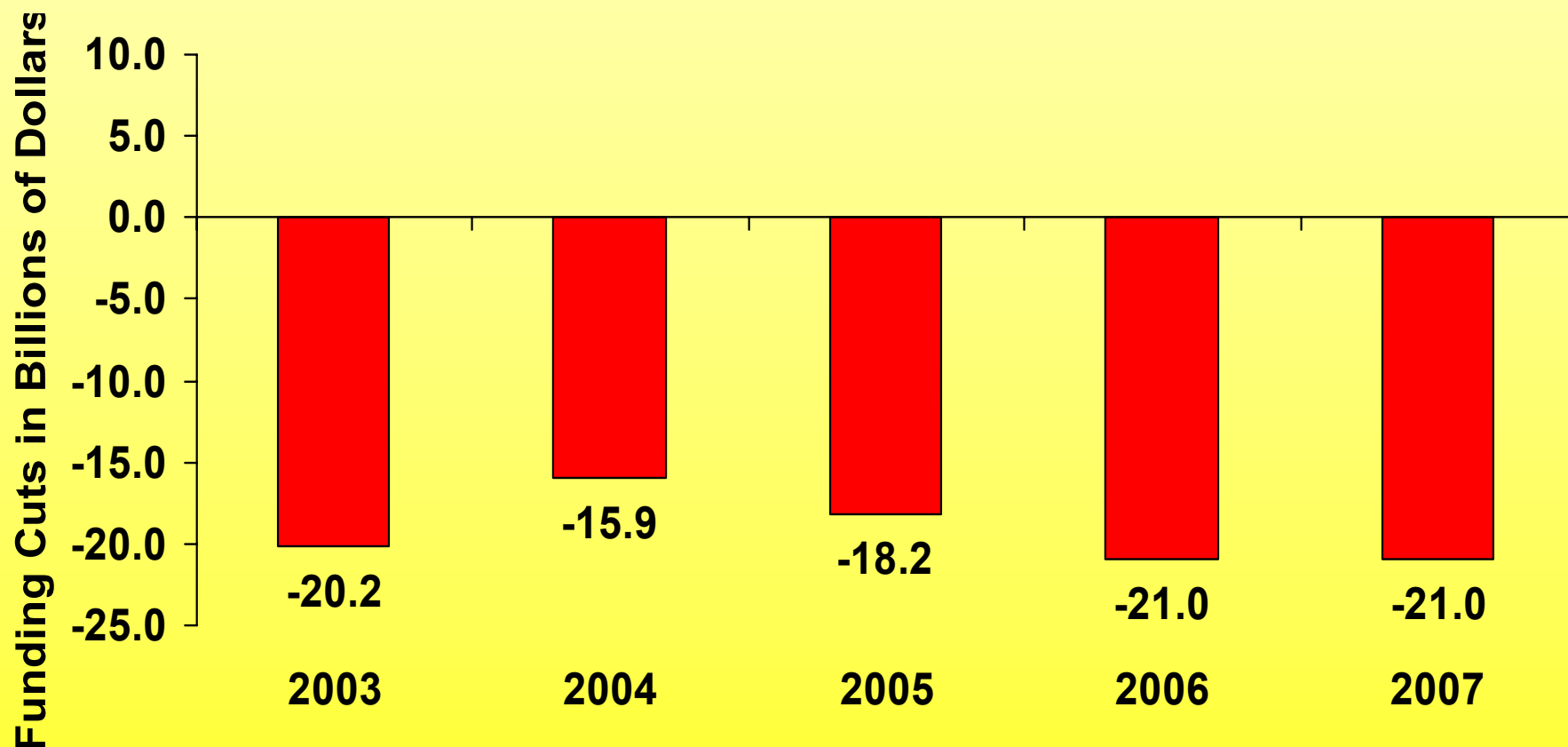
Billions of Dollars, 2002-2012



Pending and Prospective Tax Reduction 2003-2012

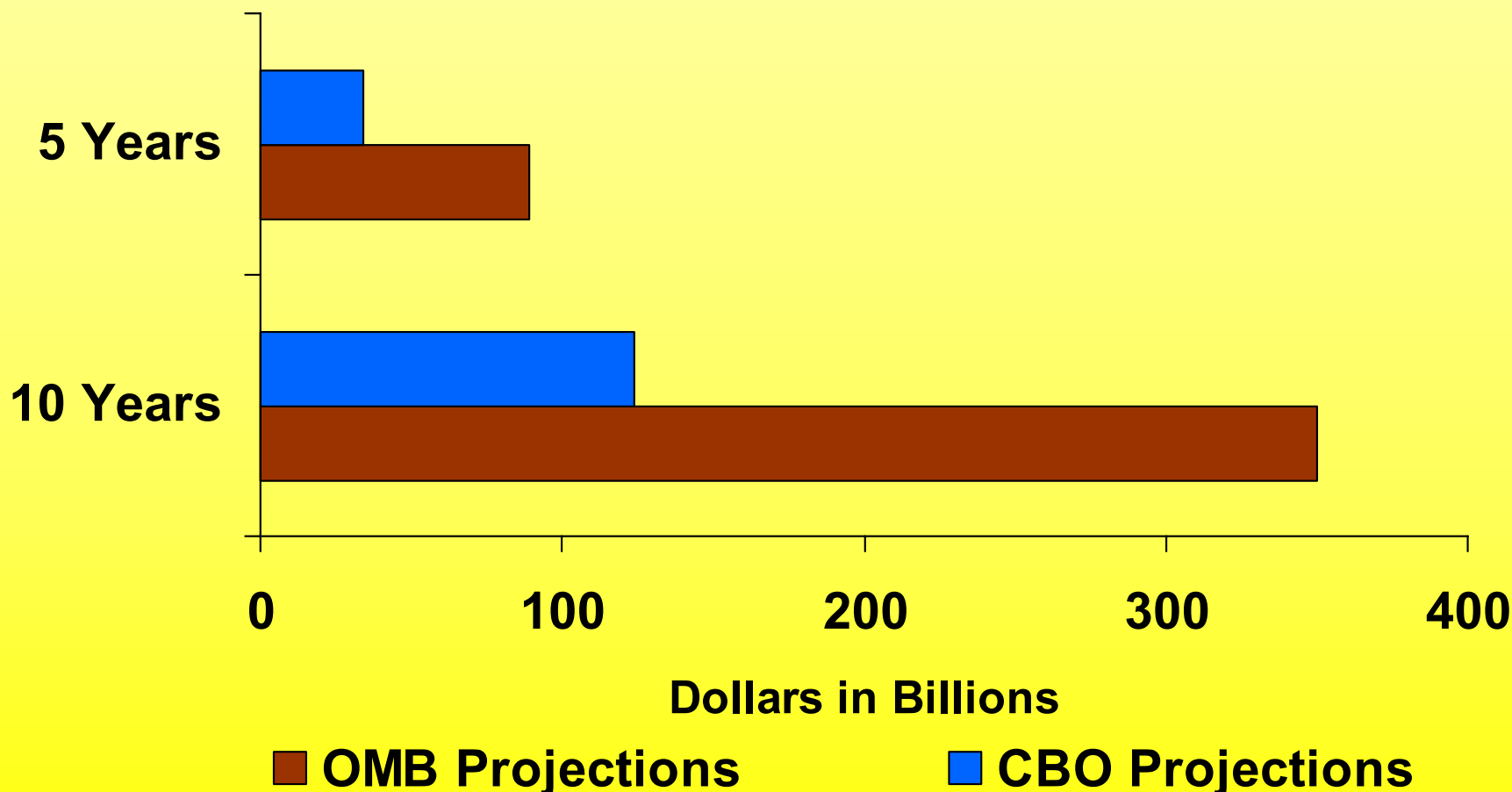
Bush Budget – Entirely New Tax Provisions (OMB)	266
Tax Extenders in Budget (OMB)	55
Repeal of 2010 Sunset (OMB)	353
<hr/>	
Bush Budget: Subtotal	675
AMT: Extension of 2001 Provision (CBO)	139
AMT: Hold Harmless for 2001 Enacted Tax Cuts (JCT/HBC)	127
AMT Hold Harmless at Current Level (HBC)	150-250
Other Tax Extenders (CBO)	166
<hr/>	
Missing Pieces: Subtotal	582-682
Grand Total	1,257 - 1,357

House Republican Budget Cuts Domestic Programs



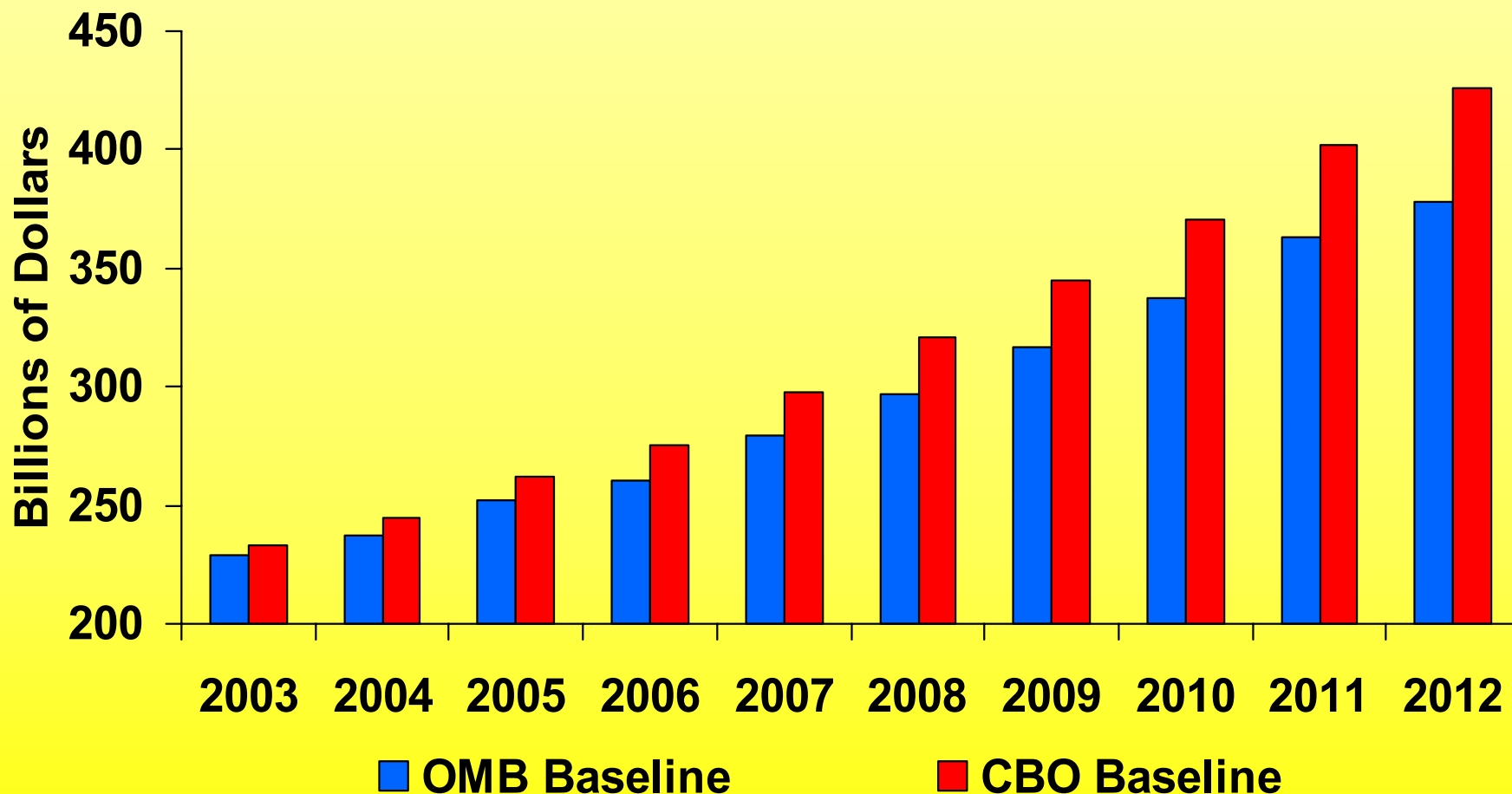
Amount Below Level Needed to Maintain 2002 Constant Purchasing Power

GOP Medicare Reserve under CBO and OMB Projections



President's Budget Shorts

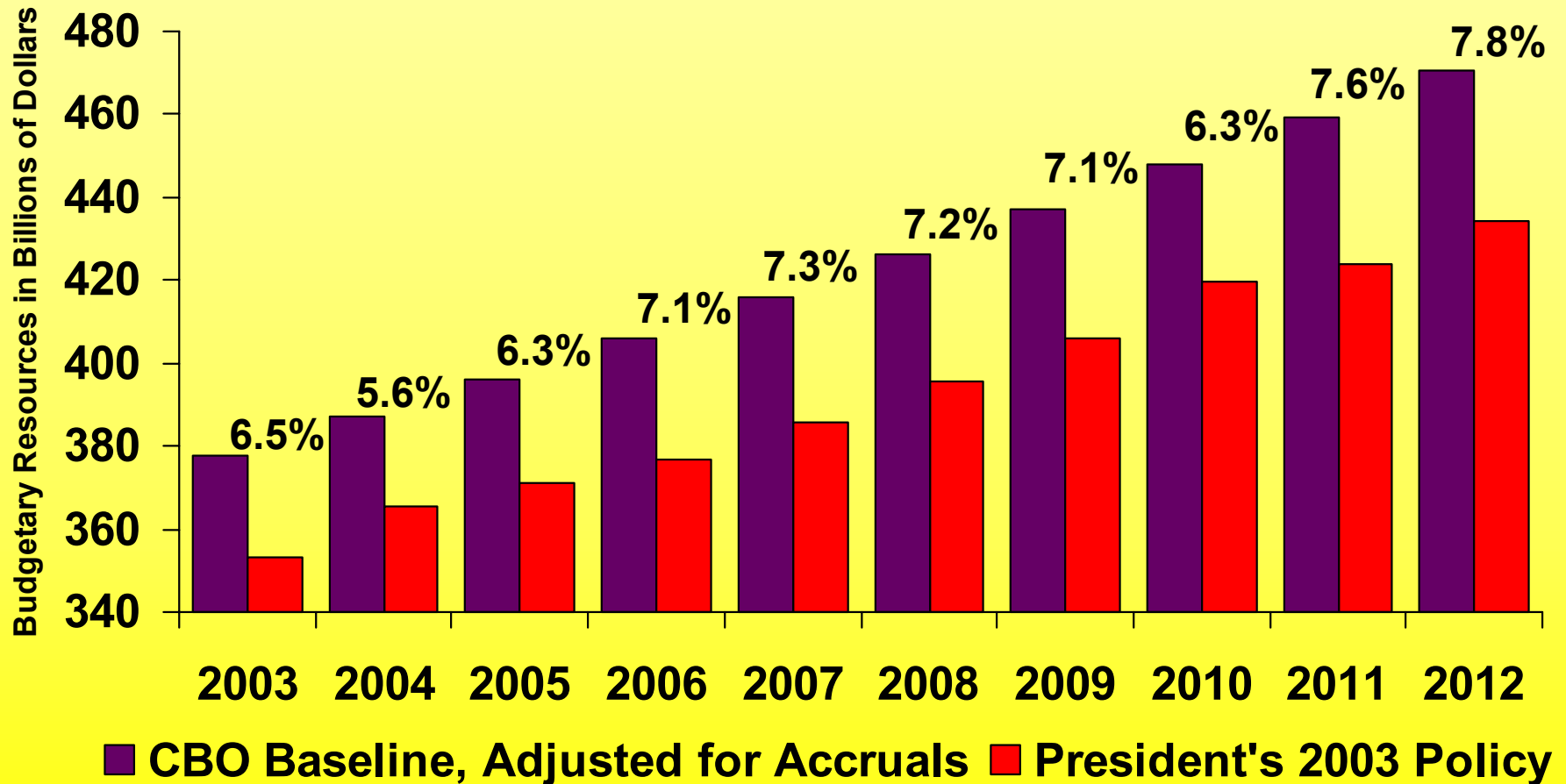
Medicare \$226 Billion



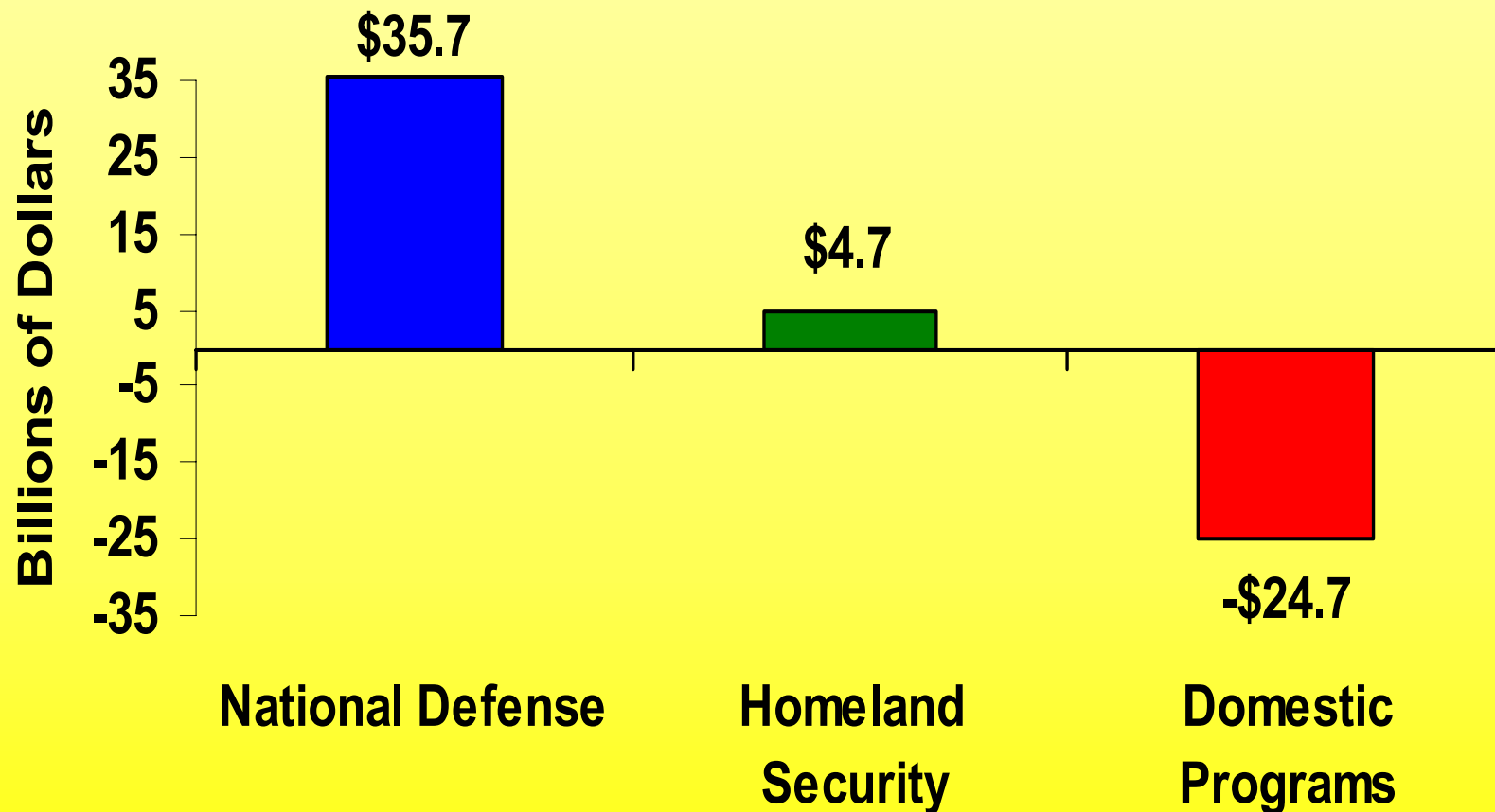
Discretionary Spending

The President's Budget vs. the CBO Baseline

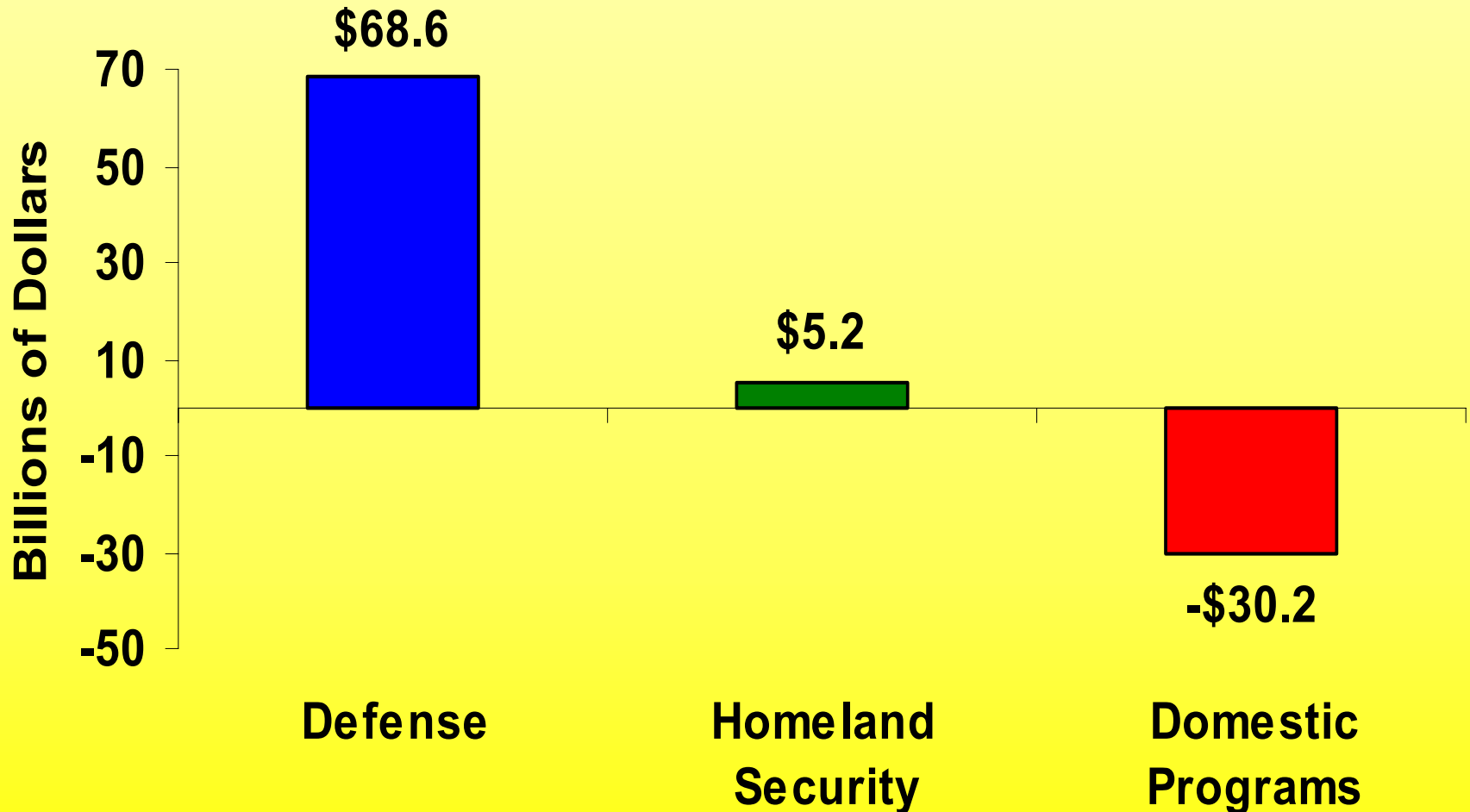
Excludes Defense, International, and Non-Defense Homeland Security



President's 2003 Budget Changes in Purchasing Power

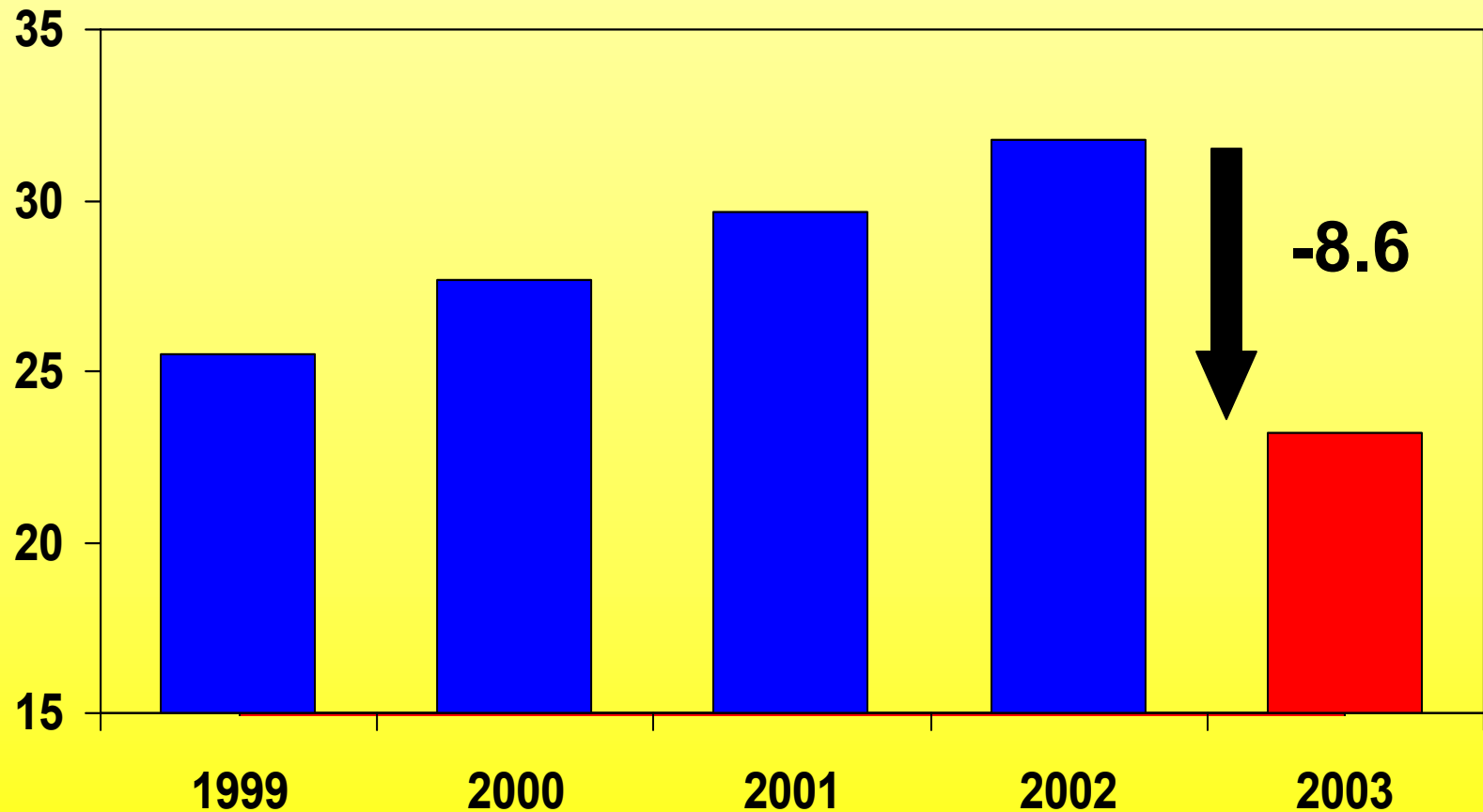


President's Five-Year Budget: Changes in Purchasing Power for 2007



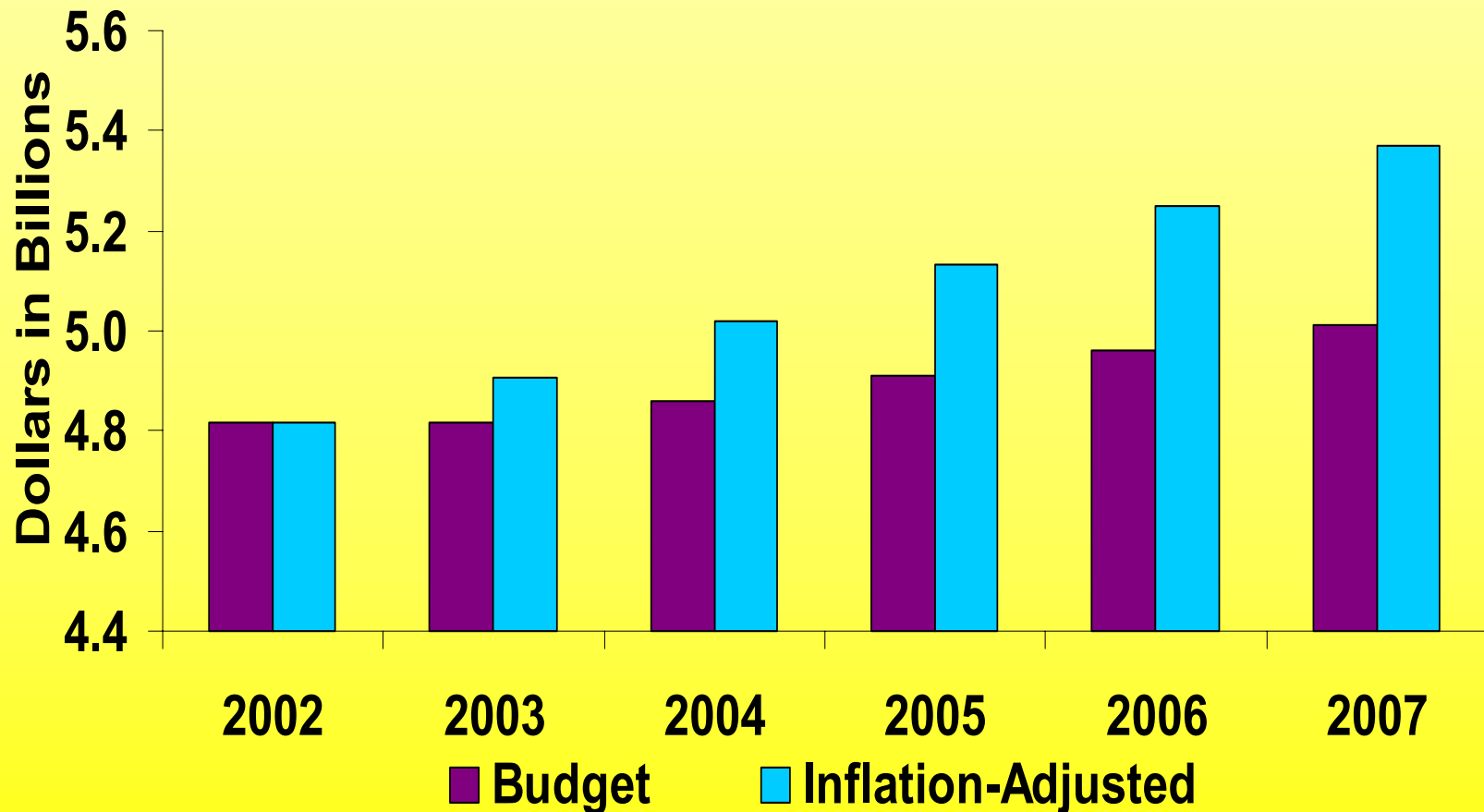
President's Budget: \$8.6 Billion Cut to Highway Aid

Billions of Dollars

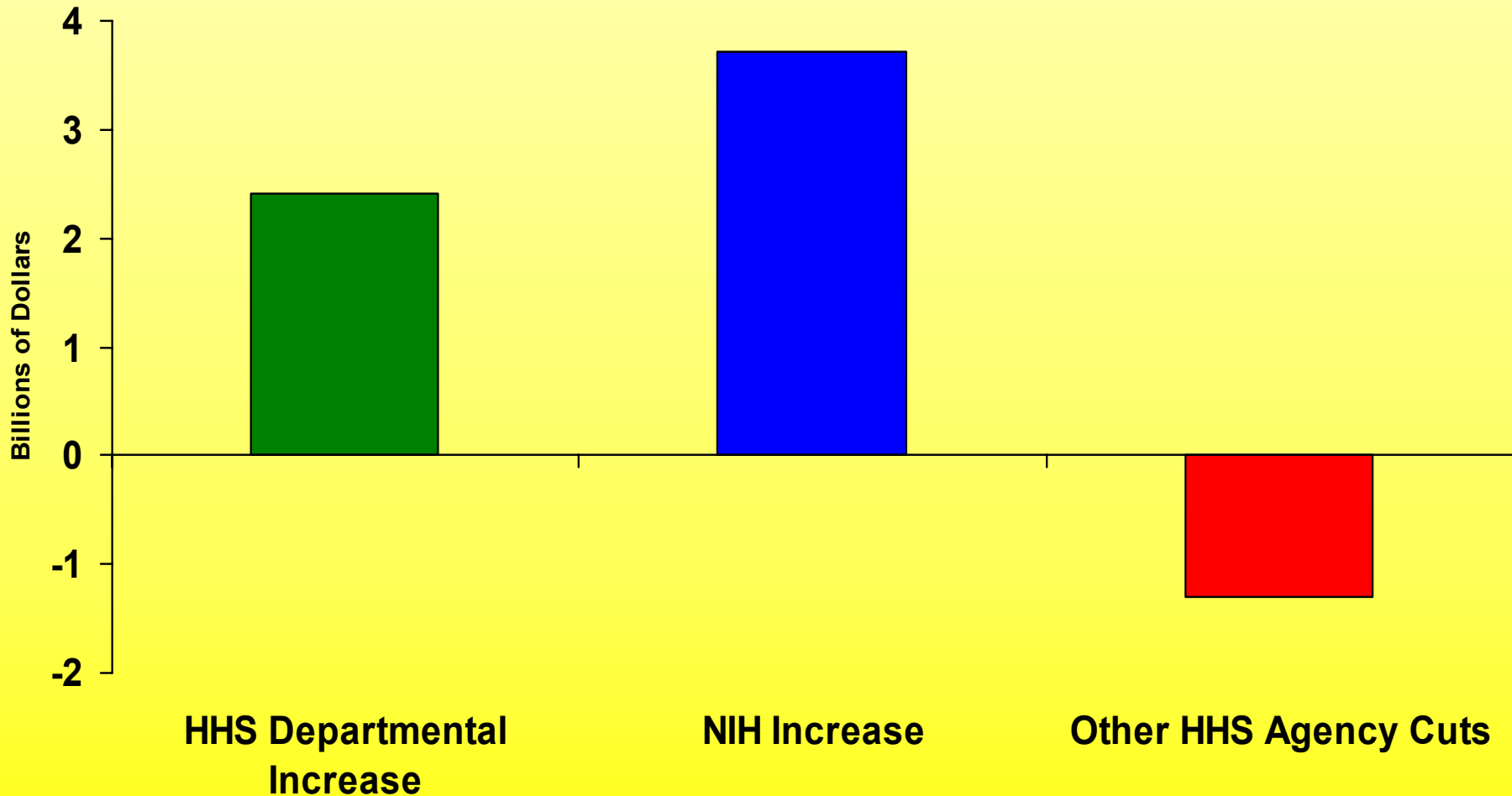


Child Care

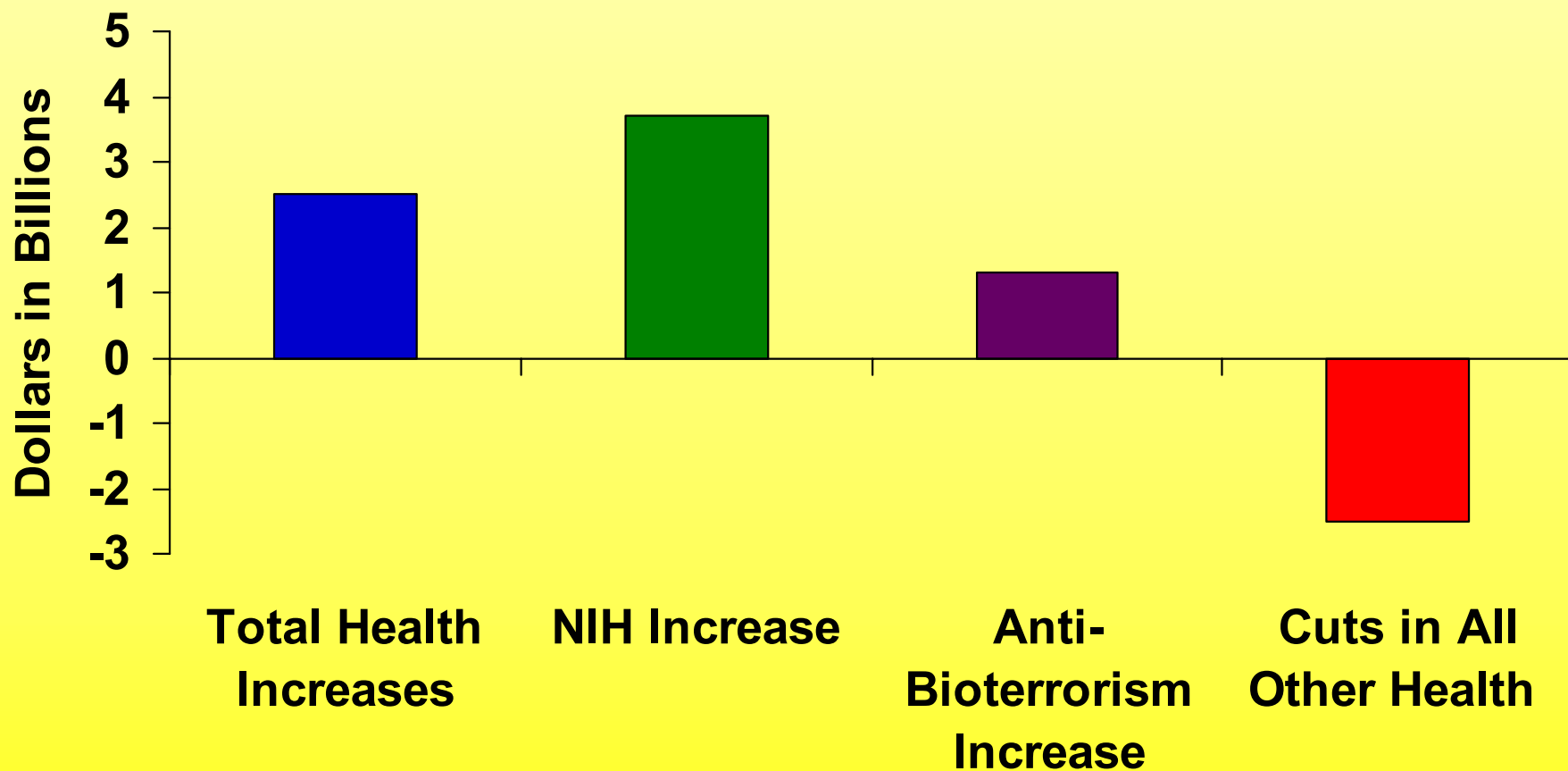
Losing Ground to Inflation



Department of Health and Human Services 2003 Budget



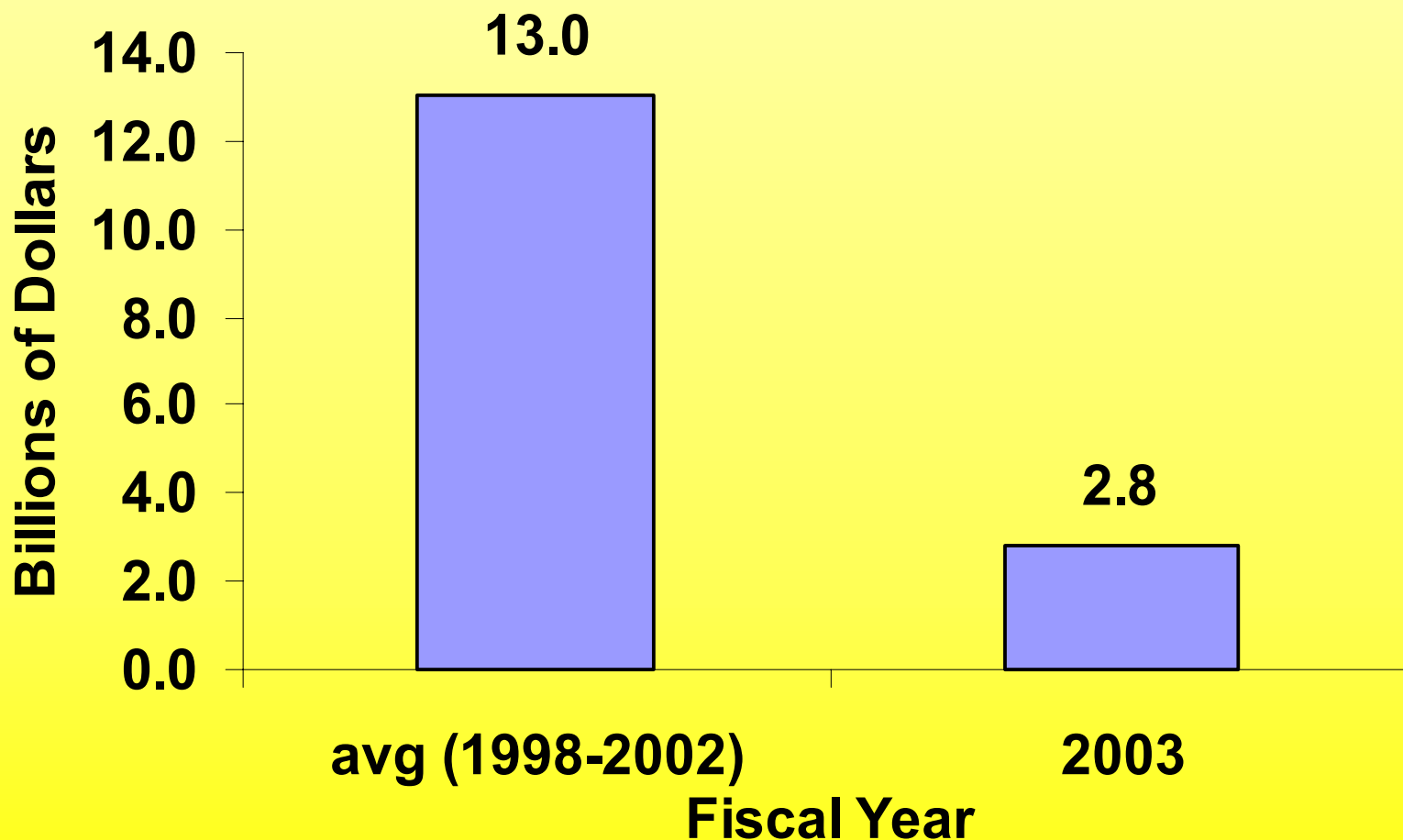
Republican Budget for Health



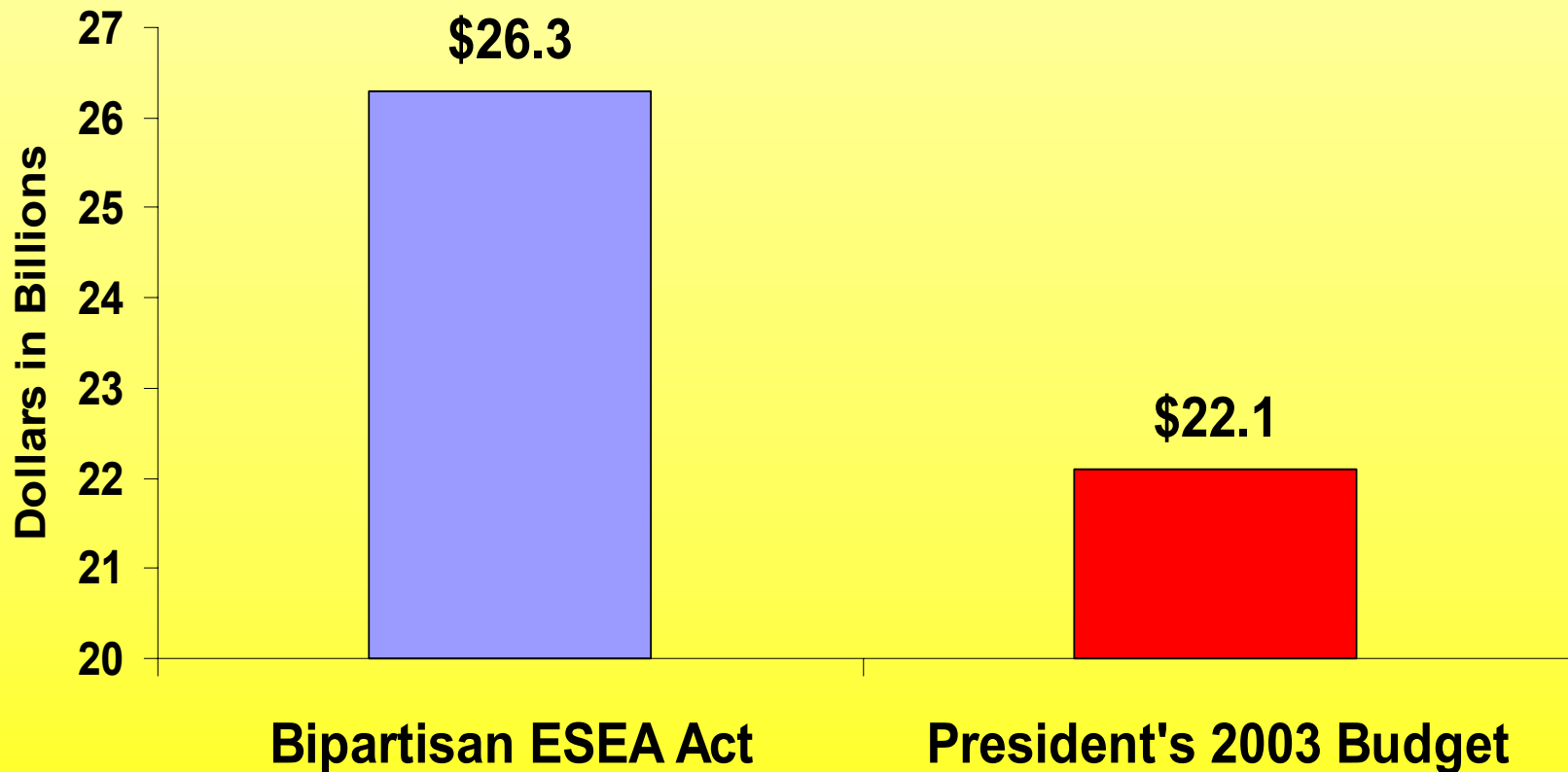
Overall Education Increase Hides Big Cuts in 2003 Budget (cut from 2002 level)

- ESEA programs - \$90 million
- Education Technology - \$134 million
- Improving Teacher Quality - \$105 million
- Safe and Drug-Free Schools - \$102 million
- Even Start - \$50 million
- Eliminates 28 elementary & secondary ed. programs
- Eliminates 4 higher education programs

Education Increases (Percentage)

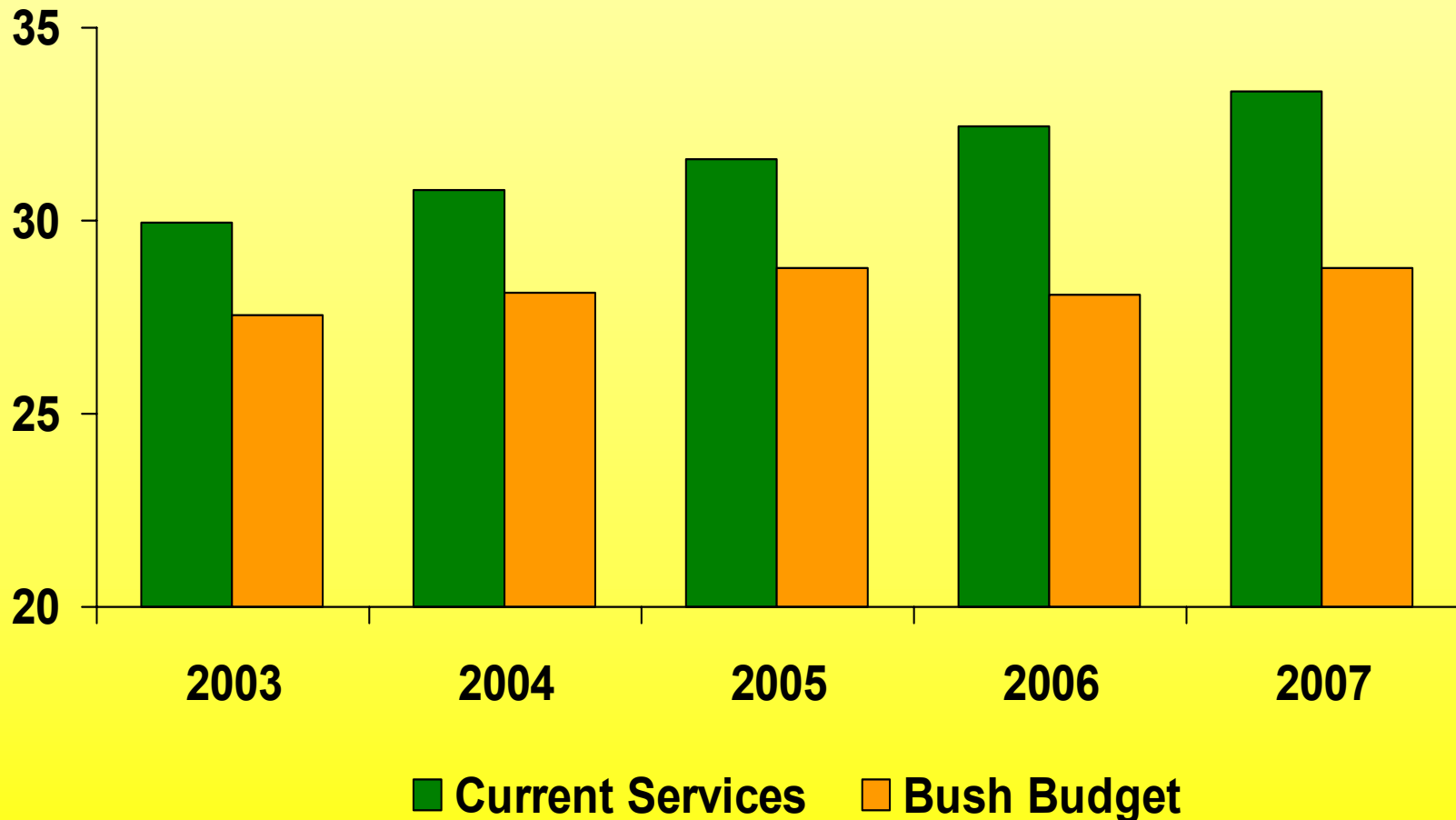


ESEA Authorization vs. President's 2003 Budget



President's Budget Undermines Environmental Protection

Function 300, Billions of Dollars



President's Budget Backtracks on 2001 Conservation Agreement

